

**CITY OF SHOREVIEW  
MINUTES  
REGULAR CITY COUNCIL MEETING  
December 1, 2008**

**CALL TO ORDER**

Pursuant to due call and notice thereof, a regular meeting of the Shoreview City Council was called to order by Mayor Martin on December 1, 2008, at 7:01 p.m.

**PLEDGE OF ALLEGIANCE**

The meeting opened with the Pledge of Allegiance to the flag.

**ROLL CALL**

The following members were present: Mayor Martin; Councilmembers Huffman, Quigley, Wickstrom and Withhart.

**APPROVAL OF AGENDA**

MOTION: by Councilmember Wickstrom, seconded by Councilmember Huffman to approve the December 1, 2008 agenda as submitted.

ROLL CALL:           Ayes - 5                      Nays - 0

**PROCLAMATIONS AND RECOGNITIONS**

There were none.

**CITIZEN COMMENTS**

**Mr. Tom Lemke** invited residents to the upcoming Shoreview Northern Lights Variety Band Christmas Concert on Saturday, December 13, 2008, at Benson Great Hall at Bethel University. Tickets are \$10.00 and can be ordered from the band or purchased at City Hall. Parking is free and there will be free carriage rides from the parking lot to the door. Also, there is a pre-concert from 6:00 to 7:00 p.m. There is more information in the community newspaper.

**COUNCIL COMMENTS**

**Mayor Martin:**

Annual Community Center memberships are available during the month of December at a 10% discount. At this time fitness classes are offered at a 30% discount for those who are annual members.

Mayor Martin announced vacancies for the following: Human Rights Commission; Public Safety Committee; Economic Development Commission; Environmental Quality Committee; and Parks and Recreation Commission. Applications are available at City Hall for anyone interested in serving. There is also more information on the City website.

**Councilmember Wickstrom:**

Encouraged residents to see the Gallery 96 art showing on *Collage, Assemblage and Mixed Medium* at the Ramsey County Library through December 5, 2008.

Congratulations to Gary Dallager who has been recognized by the State of Minnesota as Maintenance Worker of the Year. He has worked for the City for 34 years.

**Councilmember Huffman:**

Thank you to the Economic Development Commissioners for their initiative for Councilmember meetings with local business owners. Some very good meetings have occurred that will bring great dividends.

**CONSENT AGENDA**

MOTION: by Councilmember Huffman, seconded by Councilmember Wickstrom to adopt the consent agenda of December 1, 2008 approving the necessary motions and resolutions:

1. November 5, 2008 City Council Workshop Meeting Minutes
2. November 17, 2008 City Council Meeting Minutes
3. Receipt of Committee/Commission Minutes
  - Public Safety Committee, November 20, 2008
4. Verified Claims in the Amount of \$653,625.39
5. Purchases
6. Developer Escrow Reduction

ROLL CALL:           Ayes - 5                           Nays - 0

**PUBLIC HEARING**

**BUDGET HEARING - REVIEW OF 2009 BUDGET, TAX LEVY AND CAPITAL IMPROVEMENT PROGRAM**

**Presentation by City Manager Schwerm**

Mr. Schwerm referred residents to follow the presentation in the “Shoreview 2009 Budget Summary.”

The budget objectives include:

- Balanced General Fund budget
- Maintain existing services and programs through efficient use of tax dollars, within the levy limit
- Recover utility costs through user fees
- Reduce utility fund operating losses
- Meet debt obligations
- Replace infrastructure in a timely manner
- Continue long-term replacement planning
- Protect and enhance parks, lakes and open space areas
- Position the City to effectively address future challenges and opportunities through revitalization of quality neighborhoods, encourage reinvestment; assist redevelopment opportunities; and utilize technology to improve services and communications with residents

The gross tax levy is increasing by \$320,692. The increase in the proposed levy has been decreased by 17.5% due to levy limits imposed by the state. After adjusting for fiscal disparities, a revenue tax sharing program implemented by the state, the net tax levy increase is 3% increase.

For the first time in many years, taxable property values are decreasing in the community. Property values for homes are dropping at an average of 3.7%. Overall, total taxable values for all property types are dropping approximately 3.5%. Combining the tax levy increase of 3% with the declining taxable values, the City's tax rate is going up 6.8%.

Major items that impact the budget are:

- Police contract up \$75,864, which is approximately ¼ of the increase
- Fire contract up \$63,110 for cost of living adjustments, maintenance of vehicles, a new Asst. Chief position
- Pay plan for staff at a 3% adjustment is \$93,608
- Central garage charges for equipment is up \$43,425
- Community Center support is increasing to \$40,000
- Recreation program fund support is up \$27,000
- PERA (state mandated retirement program) and workers comp insurance is increasing \$23,532

General Fund expenditures are increasing by approximately \$340,192. A net gain in revenue of \$32,500 means a net increase for the General Fund of \$307,692. Debt levies are decreasing by \$47,000 and the Capital Improvement levy is decreasing by \$40,000. The Street Renewal levy and General Fixed Asset levy are each increasing by \$50,000. This calculates to a total net increase in the levy of approximately \$320,692.

**Presentation by Finance Director Jeanne Haapala**

According to Ramsey County, the median valued home in Shoreview is approximately \$275,600. The estimated tax on a median valued home is \$3,204 per year from which the City receives \$662 (about 20% of the total tax bill). Ramsey County receives approximately \$1,225. There are also other taxing jurisdictions that receive a portion, such as the school district, Metropolitan Council, mosquito control.

Each year the City compares Shoreview to similar metro area cities closest to Shoreview in population, by selecting 14 cities larger and 14 smaller than Shoreview. In 2008, the Shoreview median valued home was \$284,120. The City portion of taxes in Shoreview was \$669, which ranks fourth lowest in the comparison of City taxes paid. Over a 10-year period, Shoreview's share of total property taxes has been decreasing. In 2008, Shoreview received \$669; the average share of the comparison cities was \$967 (\$298 lower per year in Shoreview). In 1999, Shoreview was approximately \$121 lower.

A long-term comparison of the tax levy to market value shows that in 1984, Shoreview's levy per \$1,000 of market value was \$2.66; in 2009, it is \$2.70, an increase of 4 cents. At its highest, in the mid 1990s, this same measure was \$4.30. The largest rise occurred in the late 1980s, when a referendum passed to rebuild many City parks, trails and the Community Center. That is also when the City lost \$1 million in state aid. Since that time the trend has been downward until the last couple of years.

Below is a listing of how each tax dollar will be spent in 2009:

- Public safety - \$0.27, police, fire and animal control;
- Parks and recreation and community programs without fees - \$0.21;
- Replacement funds - \$0.20;
- General government - \$0.11;
- Public works - \$.09;
- Debt service - \$0.07;
- Community development - \$0.03;
- Capital improvement - \$0.01; and
- Miscellaneous - \$0.01.

The largest sources of revenue supporting operations are: 1) property taxes; 2) utility charges; and 3) charges for services, such as Community Center membership, daily admissions and recreation programs.

**Utilities**

Utility fund losses experienced in recent years are expected to continue next year. In 2009, it is expected that three utility funds will end the year with a net loss—the water fund, sewer fund and surface water fund. A big adjustment was made to the street light fund in 2008, and this is the first year there will be a small net profit. That is expected to continue in 2009.

There has been a trend in the last ten years of decreasing residential water consumption. Even though water consumption has gone down, operating costs have not. Water is charged on a tier system so that those using the most are paying the most. The changing usage trends occur for a number of reasons—change in usage patterns, more efficient appliances, frequency of rain fall and the age of water meters. One concern is the age of water meters in the City and the fact that readings are not accurate. There is a gap between the amount of water pumped and the gallons sold. The City is beginning a replacement program over the next year of all water meters.

For the sewer fund, the largest cost is for sewage treatment, paid to Metropolitan Council Environmental Services. Sewage flows through pipes to Metropolitan Council interceptors and routed to treatment plants. The City is billed for sewage treatment cost based on the amount of flow and the rate established for treatment. Ground water entering the sewer line can also increase the sewage treatment bill and unless the City addresses these leaks, the MCES will impose a surcharge to the City. Televising and relining of the sewer lines are being done to reduce ground water from entering the sewer lines, which is an added operational cost but also helps the City avoid the surcharge.

The challenges with the surface water management fund are the standards to maintain storm water ponds through dredging. This has added considerable additional expense.

To address the utility fund losses, the City is in the third year of a five-year program to adjust utility rates and close the gap so that revenues keep pace with expenses. The impact to the average customer is expected to be an increase of about \$10.00 per quarter in 2009.

Special revenue funds include recycling, the Community Center, recreation programs, Cable television, Slice of Shoreview and the Economic Development Authority (EDA). Costs in these funds are primarily covered by user fees. However, there is a General Fund contribution to buy down the cost to the public for rooms, activities and recreational programs at the Community Center. A newly created fund in the amount of \$50,000 has been established for the EDA.

The primary operating fund of the City is the General Fund. This fund receives the largest share of the property tax levy. The fund also receives license and building permit revenue, which is expected to decline in 2009. Intergovernmental revenue is primarily the market homestead credit that the City receives from the State of Minnesota, which buys down the taxes paid by property owners. In 2009, that amount is approximately \$280,000.

In 2009, according to the Ramsey County Assessor, 79 single-family homes in Shoreview increased in value; 34% had no change in value and the remaining properties decreased in value. A median home value in Shoreview for 2009 is \$275,600. The City portion of the tax bill is \$662. Every property with the same value pays the same tax for residential property. Changes from one year to the next depend on the change in value over the previous year (as determined by Ramsey County). Appeals on how property value is determined can be made to Ramsey County.

### **Capital Improvement Program**

Mr. Schwerm stated that at the time of adopting a budget, the City also adopts a five-year Capital Improvement Program (CIP) to plan for capital projects. There is also an infrastructure replacement program that projects out 50 years for all infrastructure replacements that will need to occur. Approximately 84% of project costs are replacement costs to maintain the infrastructure that exists. Projects include seal coat and crack filling of streets; the Woodbridge neighborhood street reconstruction. New initiatives include improvements to Sitzer Park and an indoor play structure at the Community Center, which is expected to increase revenue at the Community Center.

Ms. Haapala noted a number of handouts available:

- Community Benchmarks - how Shoreview compares to other cities
- Utility Operations and 2009 Utility Rates
- Understanding Your Property Taxes, by the Center for Public Finance Research, a research arm of the Minnesota Taxpayers Association
- A foldout from Minnesota cities and counties on how the tax system works; it includes information on Ramsey County hearings. On December 11, 2009, Ramsey County will have appraisers available to meet with property owners. The time to appeal is in the spring.

After this hearing, the budget, tax levy Capital Improvement Program and utility rates will go to the December 15<sup>th</sup> City Council meeting for adoption. The City will also formally receive a copy of the City's Infrastructure Replacement Plan.

Mayor Martin opened the public hearing at 7:59 p.m.

**Mr. Robert Higgins**, 951 Oakridge, stated that his taxes have been raised over 200% over the last three years. He finds it very peculiar that Ramsey County, the City, the school district and other local levies are all up 9%. He has lived in the City 35 years and his taxes have never been like this. Where is the City saving money? The City is spending \$700,000 for a maintenance shop. There is every kind of motorized vehicle going around the City with two people. Today he followed a truck with frozen dirt. What are the plans for saving money? The City Manager received a 19% increase. The newspaper reported that all department managers received a 30% increase and workers get 3%. Taxes keep going up with no plan to conserve anything. With the stock market and the economy, people are losing their jobs and their houses. If the Shoreview sign is damaged, a \$100 camera should be installed to find out who is doing this. Real estate is going down 14%, not 6% as reported by Ms. Haapala. Yet his increase in taxes was 10%, when the state even says it cannot be raised more than 3.9%. The City is not in charge. The County is not in charge, and the school board never entertains questions. What is being done to save money?

**Ms. Joyce Thompson**, 4746 Victoria Street, stated that her home value stayed the same, but her City tax is up 8%. The information presented shows City taxes per year of \$662, but hers is \$681.44. A house in better condition than hers two doors down sold for \$270,500, but hers is

valued at \$280,000. She plans to appeal to the County. Another real frustration is that as taxes go up, everything else goes up. Utility rates have gone up and will go up again. It is a vicious cycle. Residents need people at the City level to drop expenses. Otherwise citizens/taxpayers are becoming slaves to government at the City, county, state and federal levels. She is a senior citizen and has come to believe there is a goal to get people out of their homes. Seniors are an easy target--easy to push around with more limited resources. The standard of living is going down because of all the increased costs being incurred.

**Mr. Dan Reid**, 705 Schifsky Road, stated that he has been a resident for 54 years. His taxes, excluding the property value adjustment, are up 9.04%. His total City tax is up 19.4%. Part of it is due to enhancements to his property a few years ago and the increased value. He recommended that residents not enhance their property unless it is needed. He suggested rather than comparing the 2009 budget to the 2008 budget. The 2009 budget should be compared to the 2008 actual expense. Over the last 10 years, the key levy amount has increased 103.7%, which is over double inflation. Wonderful things have been done for the City that everyone uses and is available to anyone outside the City. Perhaps it is time to let other municipalities enhance their cities and Shoreview residents can visit their communities. Licensing and permits have dropped 50%, or \$328,000 over the last two-year period. Interest earnings are down 46%, or \$67,000. Many senior citizens in Shoreview often go south for the winter and are not around to use utilities. When there is a shortfall of \$300,000 in utilities, a transfer is made from the people using the utilities to the property taxes, to everyone. He applauds the Council and staff for all the things they are doing, but there is a fairer way to do it. Many people are on fixed incomes. The year 2009 is not going to be normal, and some of the things planned should be put off a year or two or spread over time. The new EDA costs \$50,000 to increase housing and spending on development in the City when taxes are going through the ceiling. The question is how important is this? Shoreview is talked about as a premier City, but maybe residents cannot afford a premier city, particularly in 2009. He does not believe pencils have been sharpened in light of the current economic situation. It is unconscionable to have this kind of increase. How can it be explained? He does not want to hear so often that "There is nothing too good for the taxpayer."

**Ms. Ilene Kalow**, 5208 Oxford Street, stated that she lives on the west side of Turtle Lake. She conducted a telephone interview of 20 homeowners. She found that the taxes of those she called increased from 16% to 21%. Her taxes increased 16.8%. She had a 23% increase last year and 23% the year before. She doubts the figures shown on the chart on page 24 of the Budget Summary. She is here to protest these property taxes and replacement of water meters. Are the water meters really defective and how was that determined? Do they need to be replaced in these economic times? Taxes have increased to the point that it is difficult to afford to live in our homes, and people can't sell their homes either.

**Mr. McConville**, 4045 Hodgson Road, stated he lives in a condo. He has lived in Shoreview over 30 years and would like to continue. With the raised valuations, the taxes in the building have gone from 50% to approximately 75%. This is ridiculous with property values going down. There are foreclosures in the building and a lot of foreclosures in Shoreview. If taxes continue to increase and valuations increase, the City will be in worse shape. One day taxes will not be paid. Some units have been for sale for years. People are paying taxes for the maintenance of Shoreview, but the City is not cognizant of what it is happening.

**Ms. Caryl DeYoung**, 884 County Road I, stated that she has enjoyed living in Shoreview for 50 years. She has a great love for the Community Center, library and bike paths, but now they have to sell their home. Their taxes are \$9,000 for a small home of 1200 square feet with no basement and wheelchair accessible. Their Blue Cross insurance has increased \$185 month. They have to leave, but she is not sure they can sell because of the valuation. Something is wrong with taxes.

**Mr. Greg Olson**, 5625 Turtle Lake Road, stated he has lived in his house since 2001, having transitioned from a townhouse in Weston Woods. It took almost two years to sell the townhouse with a price drop of 30%. One of the biggest objections to any buyer was property taxes. If the City is looking at energizing the community to continue to want people to move here and be able to afford to move here, the Council has to talk with Ramsey County and the State of Minnesota. The City is losing people who cannot afford to live here or occupy homes that have been available for some time. Look at the MLS listings to see how many properties in the City are on the market for more than 30 days, 90 days or 120 days, over a year. His county taxes are up 25%; the City portion is up 27.4%; the school district portion is up 25.2%. The overall tax increase is 24.62%. In an economy that is failing, there is at least a 50% disconnect between taxable market values and what legitimately homes can sell for. He cannot afford to live here and cannot afford to sell. He requested the City Council to talk with other city councils and Ramsey County. Increasing property values year after year is not realistic. The County must hear from the Council where it can actually do some good. He wants to continue living in Shoreview, but these issues have to be addressed. Aren't there some programs that could be pushed off for a year or two? Does the budget for the Community Center have to be so high? Does the City need \$70,000 in new cameras for the Council Chambers? Residents are pinching pennies at home, and need to see that same mentality from the City Council. It is not just what the Council would like to do but a question of whether it is really needed.

**Mr. Harlan Stoehr**, 5230 Oxford Street, stated that he has lived in the City for 40 years in a 3-bedroom rambler built in 1957. It has a detached garage. The City classifies it as a teardown. His property taxes are over \$11,000. The City portion payable in 2007 was \$1,655.00. Last year they were \$1,967. Next year it is \$2,342. The compounding effect of the last two years is an increase of 41.4%. He would not mind paying the 6% or 7% the Council talked about, but it has increased steadily over time. His goal is to get out of the City, but he does not know if he can make the transition. He does not know how the City can justify a 44% increase in his segment of taxes over two years. It has no relation to the budget figures shown.

**Ms. Patty Price** stated that she lives in Mounds View and is here for her mom who lives at 4045 Hodgson Road. Her property taxes increased 80.6%. Her income is not increasing that much. She asked if there is a cap or legal amount that can be increased. Her property taxes in the City



of Mounds View decreased 3% this year. She invited the Council to talk with the Council at Mounds View.

**Mr. Festus Ejiofor**, 5566 Asbury Street, stated that others said many of the things he wanted to say. However, he would like clarification of his tax statement, such as what special taxing districts means. They are not specified and he does not know what they are, and there are other terms he does not understand.

**Mr. Paul Mast**, 5154 Lexington Avenue, stated that he seconds what has been said previously. His tax increase is 22%, which is about the same as last year, and two years before that. It is adding up quickly to a significant number. It is ridiculous to pass off the levy as routine numbers of a few percent. Expenses are not being managed with reductions. He asked for an explanation of depreciation as stated on page 15 of the Budget Summary booklet. Is it in escrow? Is that part of what pays for \$7 million in capital desires? What is being depreciated?

**Mr. Higgins** stated that the EDA is the latest level of bureaucracy and is a waste of money. The City has no land to develop. What is the hope? Is the goal to dispossess seniors and build condominiums for seniors and sick people? It appears that the only motive is to turn property over to real estate guys, which has been done in the past.

**Mr. Joe Bester**, 460 West Horseshoe Drive, stated that in listening to the presentation and looking at the pamphlet, he is convinced taxes have to be increased. There are also two sides to every story. None of us have time, but he believes there are compelling reasons why not to raise taxes. One compelling reason presented is Shoreview's comparison to other cities. He does not buy that argument. The comparison needs to be made from City of Shoreview to City of Shoreview or the actual budget of last year. That would give a more accurate picture. He is very skeptical about the need to raise money. Everything is premised on justifying to the public the need to raise taxes.

### **Responses to Questions**

Mayor Martin stated that she wishes she could see the valuations of each tax statement. There are huge increases that are real life implications of what has happened at the county and at the state. The City is not trying to pass the buck, but the City tax increase is 3%. Many people who made comments live on lakes, and there has been increased value to lakeshore property. The County needs to hear your comments. The City does lobby the state legislature and is a member of the Municipal Legislative Commission. The Council meets with the City's legislative delegation a couple of times each year to talk about what is said at these hearings. This year is like none other since she has been Mayor because of the economy and the way everybody is hurting. She hates hearing that someone has to sell and move out of Shoreview. This Council has been working on this budget for five months. It is a maintenance budget. All of the items first discussed in the budget were not presented, but cuts were made.

Mayor Martin agreed with Mr. Higgins that 9% in all taxing jurisdictions is peculiar. Ms. Haapala stated that part of the difficulty with the tax system is that each jurisdiction levy is divided among property within that particular district. Nine percent in all jurisdictions is an

interesting coincidence that she is unable to explain. The County generates the tax bill based on information received from each jurisdiction and then uses their valuations. Differing changes in value cause differing changes in rates. Every estimated tax statement with a large increase in taxes also would show a large increase in property value.

**Mr. Reid** asked if there is any chance the budget will be reduced by December 15, 2008, when the Council adopts it. It sounds like it will be explained as a bare bones maintenance budget.

Mayor Martin responded that the final budget is not determined. It has been reduced by \$68,000 from the preliminary levy that was published. Of the \$300,000 increase, there are some costs, \$75,000 and \$63,000 respectively for police and fire protection that cannot be changed. The pay increase for City workers at 3% is a cost of living adjustment. That is all the city has given for the past five years. The City Manager receives the same. Last year there was a \$2000 bonus to the City Manager, but that does not come close to a 19% increase.

In response to Ms. Thompson, Mr. Schwerm stated that those who had property values remain the same will probably see a tax increase of around 7%. He agreed with the issues raised about property values and encouraged residents to attend county meetings to raise those same issues at the county level. Taxes from the taxing jurisdictions would not result in a 22% increase. That is a result of value increase. He and Ms. Haapala will remain after the meeting to look at individual tax statements.

**Mr. Olson** stated that he does not live on a lake and his City taxes went up 27%. The disconnect is that taxes are higher and property values are low. Residents need the Council to fight for them at the County level. Residents will speak out, but action is needed. It is his hope that the same message is being heard at other city council meetings in other counties. How property is valued by the County Assessor is not realistic. Residents need the Council to fight for them.

**Mr. Stoehr** stated that the valuation on his home dropped 8% in the last year, but the Shoreview tax is an increase of over 19%, and that is higher than the school district which is 16% and higher than the County. His issue is with Shoreview. It doesn't relate to any of the numbers being presented. Mr. Schwerm stated that staff will look at this tax statement. With an 8% drop in value, the City tax should be decreasing not increasing.

In response to the question of the comparison to other cities, Ms. Haapala stated that a revised estimate is prepared each year for the current year. It is in the budget document but not in the pamphlet summary. The actual estimates are done in May and June. It is difficult to make the estimate much more accurate unless there is a big change to be accounted for.

Mayor Martin stated that utilities are a business that the City runs and costs have to be covered. One of the things done a couple of years ago to make it fairer to those who are not here all year was to base the sewer rate on water consumption because there is no way to measure sewage flow from a home. The winter quarter was used to determine sewage rates to take into consideration the fact that seniors aren't here all year. There is no effort to have seniors leave. The population is aging and the City wants to make accommodations and wants seniors to stay in Shoreview.

Ms. Haapala added that rules for governmental accounting require that the City operate utility funds like a business model. When the water towers were built, they were not recorded as an expense in that year. Instead, in government accounting an asset is recorded and is depreciated over the useful life of that asset. The City probably bonded for the water towers and paid for them over time, and the depreciation expense has to be recognized. This is a requirement for governmental accounting because it is attempting to measure what the total expense really is for operations in comparison to revenues coming in each year. The assets in the utility funds--water, surface water, sewer and street lighting--have to be depreciated.

Mayor Martin stated that while the water meter replacement could be postponed, the software being used for the current water meters is aging and cannot be serviced anymore. With the bonding, the cost is not as significant as it appears.

Councilmember Withhart added that aging water meters gum up. This means residents are receiving more water than they are actually paying for. There is a discrepancy between the amount of water being pumped and the amount sold. When the meters are replaced, the readings will be accurate. He emphasized that the software used for readers is so old it cannot be supported. If the software fails, the City will have to send someone to read meters in homes which are much more expensive. By billing exactly for what is being used, the costs will be recovered in a short time.

Councilmember Wickstrom noted that most of the water meters in Shoreview are over 25 years old.

In response to Mr. Ejiofor's question to identify special taxing jurisdictions, Mr. Schwerm stated that it refers to Metropolitan Council, mosquito control, transit. Those jurisdictions have a separate public hearing which should be on the estimated tax statement. Voter approved levies refers to levies approved by the Mounds View School District. Any concern should be addressed at the hearing held by the school district. The City of Shoreview is approximately 23% of the total tax bill. If the tax levy had been held flat, not levying \$320,000, it would have resulted in approximately a 1% overall tax decrease. If the tax bill were \$4,000, the savings would be approximately \$40 or over \$3 a month. To reduce the levy by \$320,000 means reducing public safety, laying off maintenance workers, streets not getting plowed as quickly. Not replacing or maintaining City assets in a timely fashion can cost more in the long term.

Ms. Haapala noted that taxing jurisdictions are exempt from holding budget hearings if the levy increase is below the rate of the implicit price deflator. In 2009, the City under this formula would have allowed the City a levy increase of 6.8%. The tax statement will state "No hearing required" if a jurisdiction is eligible for that exemption. It is her understanding that jurisdictions like the Metropolitan Council, mosquito control or transit are exempt in 2009, and they have elected not to hold those hearings. Even though Shoreview qualified for the exemption for 2009, we elected to hold a budget hearing anyway because we believe it is the right thing to do.

Mayor Martin stated that the increase in valuation of the condos at 4045 Hodgson does not make sense. She urged residents to talk to the County. Mr. Schwerm stated that the state has a

program that property taxes cannot increase by more than 12% a year. When the County is increasing values, they look at the sales of similar properties. This kind of increase is very surprising.

Councilmember Withhart also urged residents to attend the County hearing because something is amiss with such a high increase in valuation.

Councilmember Huffman stated that in addition to directing residents to the December 11, 2008 County public hearing, he would suggest the Council spend some time strategizing how the City's voice can help.

Councilmember Withhart stated that the numbers presented by staff are accurate, but there is a disconnect between that and what residents pay. It is the goofiest tax system of almost any state. Several Councilmembers have been actively involved in bringing up valuation issues. About 12 years ago some headway was made when the number of taxing categories was reduced. As value increases, properties are moved into a different category and taxes are higher. It is not a straight percentage. He shares the frustration with the tax system in Minnesota. The City has done a remarkable job in holding costs down. Mr. Schwerm stated that the Municipal Legislative Commission was successful in bringing reducing taxes for higher valued homes. Higher valued homes are not put into a higher tax category until the value is over \$500,000. This has made a big difference.

Councilmember Wickstrom stated that because such a large number of properties decreased in valuation and their taxes went down, the properties that stayed the same or increased are feeling the pressure because their taxes went up and they are paying a larger portion of the pie. The key is for assessors to value more fairly and talk to legislators about the percentages of taxes.

Regarding the tax cap, Mayor Martin explained that the taxes have to be paid and then a form is filed with income taxes for a refund on property taxes. Some programs have income limits. One program does limit the percentage that can be increased.

Councilmember Withhart stated that the EDA was established to focus on housing and business retention. Recently the City was successful at helping PaR Systems find additional property at the old Sheriff's station on County Road E and stay in Shoreview. The property was off the tax rolls for many years and is now on the tax rolls. The more businesses the City can attract in the City will help reduce taxes for everyone. That is the goal.

Mayor Martin stated that the comparison with other cities is to find out how Shoreview is doing. Most cities receive state aid. Many receive between \$600 and \$800 per resident. Shoreview receives almost no state aid. It is remarkable that residents in Shoreview enjoy such a wonderful community with all its amenities and yet Shoreview remains the fourth lowest. The \$669 figure, tax on a median-valued home, is snow plowing, recycling, police and fire protection. All these services are received for \$669 a year, which is a remarkable value.

**Mr. Reid** asked if the Council is saying that the estimated number is not correct or that it would have been higher. Ms. Haapala explained that in September the Council adopted a preliminary

levy, which was submitted to the County. The County used that levy to calculate all the estimated tax statements. The levy presented at this hearing is \$68,000 less. Even though the City had decided to reduce the levy, the County was unwilling to use the revised levy for the calculations. At a minimum the levy is \$68,000 lower.

**Mr. Reid** again questioned the need for the EDA. Shouldn't the City routinely be in the business of helping local business to stay in the community? Can the camera upgrades in the City Council Chambers be delayed? Next year will be an unusual year and some things need to be put off. He asked why the licenses and permits dropped 50% and the reason for the drop in interest earnings. Ms. Haapala answered that the 2009 number is a comparison from a couple of years ago when a storm came through the City and permit revenues were higher than usual. That event is not planned so the estimates are at a maintenance level. Investment interest earnings are lower because interest rates on investments are lower, as well as cash balances, which is the reason for the estimated decreased revenue from that source.

**Mr. Tom Lemke**, 5577 Schutta Road, applauded the City Council and staff for their wonderful job. He travels among many cities and many people would like to live in Shoreview. The pamphlet is correct. Where is there to move where taxes will be lower? There are not a lot of options. Everyone needs to talk to the County and their legislators to change this tax structure. He requested that a wish list of what was cut from the budget be published for residents to see that this is a bare bones budget. He recommended three things: 1) not put in an indoor play structure at the Community Center; 2) not fund an Assistant Fire Chief when the number of calls is decreasing--most cities of this size do not even have a Fire Chief; 3) the EDA is a great idea but do we need this form of government at a time when residents cannot afford niceties? Residents are cutting from their household budgets. He would like to see the Council go back and see what else could be cut.

Mayor Martin stated that the budget will be reconsidered at the December 15, 2008 City Council meeting for adoption.

**MOTION:** by Councilmember Huffman, seconded by Councilmember Quigley to close the public hearing at 9:25 p.m.

**ROLL CALL:** Ayes - 5 Nays - 0

## **GENERAL BUSINESS**

### **ADOPTION OF LICENSE FEE FOR CHICKENS IN RESIDENTIAL DISTRICTS**

Mr. Schwerm noted the ordinance to allow up to four chickens per household, no roosters, in residential districts. The recommended license fee is \$30 with licenses to be renewed every two years.

MOTION: by Councilmember Huffman, seconded by Councilmember Wickstrom to adopt Ordinance No. 838 amending Exhibit B of the Municipal Code, Administrative Fee Schedule, establishing a \$30.00 biennial license fee for chickens in the RE and R1 residential zoning districts.

ROLL CALL: Ayes: Huffman, Quigley, Wickstrom, Withhart, Martin  
Nays: None

**ADJOURNMENT**

MOTION: by Councilmember Huffman, seconded by Councilmember Withhart to adjourn the meeting at 9:27 p.m.

ROLL CALL: Ayes - 5 Nays - 0

Mayor Martin declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 15<sup>th</sup> DAY OF DECEMBER 2008.

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Terry C. Schwerm  
City Manager